

Message Text

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PAGE 01 BRASIL 05229 052157Z
ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 MMO-01 SS-15 ABF-01 /040 W
-----024998 052206Z /62

R 051404Z JUL 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 8140
INFO AMCONSUL SAO PAULO

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STADIS////////////////////////////////

FOR ASSISTANT SECRETARY KATZ FROM AMBASSADOR

E.O. 11652: N/A
TAGS: BEXP, BR
SUBJECT: STAFFING OF SAO PAULO TRADE CENTER

1. SUMMARY. I UNDERSTAND THAT COMMERCE IS CONSIDERING THE ELIMINATION OF THE MARKET RESEARCH UNIT FROM THE TRADE CENTER IN SAO PAULO. GIVEN OUR SERIOUS TRADE DEFICIT AND POOR PERFORMANCE OF US EXPORTERS OVER PAST TWO YEARS, THIS SEEMS HARDLY THE TIME TO BEGIN DISMANTLING A BRAND NEW TRADE CENTER IN SAO PAULO. BRAZIL HAS BEEN RESTRICTING IMPORTS FOR BALANCE OF PAYMENTS REASONS, BUT AS INDICATED BELOW, THIS SIMPLY HEIGHTENS THE NEED FOR MARKET RESEARCH. I DO NOT SUGGEST THAT WE NEED TO KEEP MARKET RESEARCH UNIT PERMANENTLY. BUT HAVING SPENT \$1 MILLION IN SETTING UP CENTER WE SHOULD MAKE STRONG EFFORT TO REALIZE MAXIMUM POTENTIAL FROM IT. COMMERCE APPARENTLY CONSIDERS IT CAN MAKE CUT BECAUSE THERE ARE PRIVATE MARKET RESEARCHES IN SAO PAULO THAT CAN DO ACCEPTABLE JOB AND E/C SECTION OF CONSULATE GENERAL CAN SUPERVISE CONTRACT, I.E., PROBLEM FOR COMMERCE IS POSITIONS AND NOT MONEY. EXPERIENCE WITH CONTRACTORS HAS NOT BEEN GOOD AND BECAUSE OF
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POSITION SQUEEZE ON DEPARTMENT, E/C COULD NOT MONITOR PRIVATE CONTRACTS ADEQUATELY. I HOPE COMMERCE CAN BE PERSUADED TO LEAVE TRADE CENTER STAFF INTACT FOR AT LEAST ANOTHER TWO FISCAL YEARS. END SUMMARY.

2. WE HAVE LEARNED INFORMALLY THAT USDOC IS CONTEMPLATING A REDUCTION OF THE COMMERCE-FUNDED LOCAL STAFF OF THE SAO

PAULO TRADE CENTER FROM FIVE TO THREE. IT WOULD BE OUT OF THE QUESTION TO ELIMINATE THE EXHIBIT MANAGER, THE FISCAL ASSISTANT, OR THE DEPUTY DIRECTOR'S SECRETARY. THUS, THE ONLY POSITIONS THAT COULD BE CONSIDERED FOR CUTS WOULD BE THE MARKET RESEARCH ASSISTANT AND THE MARKET RESEARCH SECRETARY. SINCE WE ALSO UNDERSTAND THAT USDOC INTENDS TO ELIMINATE THE MARKET RESEARCH OFFICER POSITION BY SEPTEMBER 30, 1978, THE ELIMINATION OF THESE TWO LOCAL POSITIONS WOULD ABOLISH THE MARKET RESEACH UNIT AS A WHOLE.

3. IF THE MARKET RESEARCH UNIT WERE ELIMINATED ALL RESEARCH WOULD HAVE TO BE CONTRACTED OUT AND THE BURDEN OF SUPERVISING THE CONTRACTS AND REVIEWING AND CORRECTING THE DRAFT REPORTS WOULD FALL ON THE COMMERCIAL SECTION OF THE CONSULATE GENERAL. IN VIEW OF THE INCREASED WORK LOAD GENERATED FOR THE COMMERCIAL SECTION BY THE TRADE CENTER ACTIVITIES, THAT SECTION OBVIOUSLY WOULD NOT BE ABLE TO DEVOTE THE TIME AND ATTENTION TO THIS FUNCTION THAT THE MARKET RESEARCH UNIT HAS BEEN GIVING IT. ACCORDINGLY, UNLESS USDOC IS WILLING TO PERMIT US TO USE SUBSTANTITALLY MORE EXPENSIVE CONTRACTORS THAN WE HAVE BEEN USING, THE QUALITY OF THE MARKET RESEARCH IS BOUND TO SUFFER.

4. IT WOULD BE A MISTAKE TO DOWNGRADE OUR MARKET RESEARCH CAPABILITY IN BRAZIL AT THIS TIME. THE LITTLE RESEARCH DONE IN BRAZIL BEFORE THE ESTABLISHMENT OF THE NEW TRADE CENTER HAS BECOME TOTALLY USELESS LIMITED OFFICIAL USE

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BECAUSE OF THE RAPID CHANGES IN BRAZILIAN INDUSTRIAL SITUATION AND IMPORT RESTRICTIONS IMPOSED IN 1975 AND 76. THUS, WE HAVE HAD TO START FROM SCRATCH IN DEVELOPING BASIC STUDIES IN EACH KEY PRODUCT CATEGORY. ONCE THE MAIN PRODUCT CATEGORIES HAVE BEEN COVERED BY BASIC RESEARCH--IN 3 OR 4 YEARS--THE MARKET RESEARCH FUNCTION WILL BECOME ONE OF MERELY UPDATING THE PREVIOUS REPORTS. AT PRESENT HOWEVER, WE ARE STILL IN THE PIONEERING STAGE.

5. ANOTHER REASON FOR THE SPECIAL IMPORTANCE OF QUALITY MARKET RESEARCH IN BRAZIL IS THE COMPLEXITY OF THE BRAZILIAN GOVERNMENT'S REGULATIONS DESIGNED TO RESTRICT IMPORTS AND TO PROMOTE THE DEVELOPMENT OF IMPORT-SUBSTITUTION INDUSTRIES. THESE CONTROLS LIMIT SUBSTANTIALLY OUR ABILITY TO SELL MANY TYPES OF PRODUCTS IN BRAZIL AND MAKE IT ESSENTIAL FOR THE MARKET RESEARCH TO PINPOINT PRECISELY WHERE OUR REAL EXPORT OPPORTUNITIES ARE.

6. THE CESSATION OF IN-HOUSE MARKET RESEARCH WOULD ALSO MEAN THE LOSS OF THE CONTACTS AND BACKGROUND KNOWLEDGE GAINED FROM RESEARCH ACTIVITIES. THIS EXPERIENCE HAS ENABLE THE MARKET RESEARCH UNIT TO MAKE A VALUABLE CONTRIBUTION TO OUR PLANNING FOR THE COUNTRY COMMERCIAL PROGRAM AND FUTURE TRADE CENTER PROMOTIONAL EVENTS.

7. IN VIEW OF THE ABOVE CONSIDERATIONS, USDOC SHOULD DEFER ANY
PLANS TO REDUCE THE LOCAL STAFF AT THE SAO PAULO TRADE CENTER AT
LEAST UNTIL MAJOR PRODUCT CATEGORIES HOLDING OUT US EXPORT OPPORT-
UNITIES HAVE BEEN COVERED BY A DETAILED INITIAL REPORT.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRASIL05229
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780276-0388
Format: TEL
From: BRASILIA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780796/aaaaddbs.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f2b27c7b-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2119614
Secure: OPEN
Status: NATIVE
Subject: STAFFING OF SAO PAULO TRADE CENTER
TAGS: BEXP, BR
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f2b27c7b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014